

THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2007

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Release Date 3/5/08

THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**HEARD
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& VESTAL**
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December 2, 2007

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of The Arc of Caddo-Bossier at June 30, 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Arc's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Arc's 2006 financial statements and, in our report dated October 19, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of Caddo-Bossier at June 30, 2007, and the consolidated changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2007, on our consideration of the Arc's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy + Vestal, LLP

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THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2007

	<u>General Fund</u>	
<u>ASSETS</u>	<u>Unrestricted</u>	<u>Restricted and Designated</u>
Cash and cash equivalents	765,053	208,005
Investments-Notes 9 and 10	3,963,549	2,778,998
Accounts receivable-Note 4	2,771,215	-
Prepaid expenses and other assets	34,137	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,533,954</u>	<u>2,987,003</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	136,413	-
Accrued payroll and bonus	757,225	-
Accrued expenses	23,536	-
Line of credit-Note 10	-	-
Total liabilities	<u>917,174</u>	<u>-</u>
<u>Net assets-Note 3</u>	<u>6,616,780</u>	<u>2,987,003</u>
Total liabilities and net assets	<u>7,533,954</u>	<u>2,987,003</u>

The accompanying notes are an integral part of the financial statements.

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2007	June 30, 2006
-	973,058	834,891
-	6,742,547	5,723,620
-	2,771,215	1,747,309
-	34,137	165,463
5,908,394	5,908,394	5,777,541
<u>(4,308,151)</u>	<u>(4,308,151)</u>	<u>(4,122,966)</u>
<u>1,600,243</u>	<u>12,121,200</u>	<u>10,125,858</u>
-	136,413	110,363
-	757,225	290,225
-	23,536	21,560
-	-	-
-	917,174	422,148
<u>1,600,243</u>	<u>11,204,026</u>	<u>9,703,710</u>
<u>1,600,243</u>	<u>12,121,200</u>	<u>10,125,858</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted and Designated</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	383,231	-
Title XIX	10,492,190	-
United Way	103,678	-
Contributions	141,835	165,323
Service fees	529,857	-
Other public support	<u>30,872</u>	<u>-</u>
Total public support	11,681,663	165,323
<u>Revenue:</u>		
Sales revenue	3,603,710	35,095
Membership dues	11,200	-
Investment income-Note 9	934,746	148,180
Other income	<u>56,367</u>	<u>-</u>
Total revenue	<u>4,606,023</u>	<u>183,275</u>
Total public support and revenue	16,287,686	348,598
<u>Expenses:</u>		
Adult services	4,695,000	46,576
Children services	911,145	7,531
Residential services	7,655,572	-
Advocacy services	173,377	936
Leisure services	106,244	860
Management and general	<u>1,297,073</u>	<u>15,990</u>
Total expenses	<u>14,838,411</u>	<u>71,893</u>
<u>Change in net assets</u>	1,449,275	276,705
<u>Net assets-beginning of year</u>	5,569,511	2,479,624
Transfers	<u>(402,006)</u>	<u>230,674</u>
	<u>5,167,505</u>	<u>2,710,298</u>
<u>Net assets-end of year</u>	<u>6,616,780</u>	<u>2,987,003</u>

The accompanying notes are an integral part of the financial statements.

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2007	June 30, 2006
-	383,231	1,024,086
-	10,492,190	8,837,285
-	103,678	105,343
-	307,158	178,687
-	529,857	452,058
-	30,872	39,438
-	11,846,986	10,636,897
-	3,638,805	3,716,703
-	11,200	13,577
-	1,082,926	613,811
-	56,367	52,998
-	4,789,298	4,397,089
-	16,636,284	15,033,986
124,917	4,866,493	4,867,441
20,274	938,950	969,377
42,832	7,698,404	6,858,430
512	174,825	173,587
112	107,216	111,661
37,017	1,350,080	1,247,005
225,664	15,135,968	14,227,501
(225,664)	1,500,316	806,485
1,654,575	9,703,710	8,897,225
171,332	-	-
1,825,907	9,703,710	8,897,225
1,600,243	11,204,026	9,703,710

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
Salaries	2,904,156	664,749	5,569,502
Payroll taxes	252,141	54,129	461,276
Other employee expenses-Note 8	<u>602,958</u>	<u>72,931</u>	<u>330,337</u>
Total salaries and payroll related expenses	3,759,255	791,809	6,361,115
Professional	1,611	357	2,744
Insurance	126,543	2,288	57,874
Licenses	666	256	295,462
Office expense	16,603	3,784	23,733
Postage and publication	2,884	160	93
Dues and subscriptions	227	33	2,097
Telephone	25,631	2,923	34,321
Repairs and maintenance	120,733	9,156	125,238
Building services	34,853	2,023	18,956
Training	11,193	10,582	1,851
Travel and conventions	23,681	2,262	121,181
Operating supplies	350,312	29,049	12,413
Utilities	53,719	7,412	81,533
Rent	18,000	-	-
Vehicle and equipment lease	64,421	9,621	99,351
Property tax	1,008	337	336
Food	2,100	34,647	106,996
Household supplies	82	3,147	28,200
Clothing	-	-	11,626
Personal necessities	-	-	19,218
Medical and therapy	848	139	47,147
Transportation and outing	180	-	16,524
Consultant fees	964	725	144,850
Other	<u>126,062</u>	<u>7,966</u>	<u>42,713</u>
Total other expenses before depreciation	<u>982,321</u>	<u>126,867</u>	<u>1,294,457</u>
Total expenses before depreciation	4,741,576	918,676	7,655,572
<u>Depreciation expense</u>	<u>124,917</u>	<u>20,274</u>	<u>42,832</u>
<u>Total expenses</u>	<u>4,866,493</u>	<u>938,950</u>	<u>7,698,404</u>

The accompanying notes are an integral part of the financial statements.

<u>Advocacy Services</u>	<u>Leisure Services</u>	<u>Management and General</u>	<u>Total All Funds (Memorandum Only)</u>	
			<u>June 30, 2007</u>	<u>June 30, 2006</u>
124,795	55,479	663,998	9,982,679	9,191,461
9,290	4,561	49,534	830,931	772,463
<u>22,855</u>	-	<u>98,762</u>	<u>1,127,843</u>	<u>1,119,875</u>
156,940	60,040	812,294	11,941,453	11,083,799
-	350	81,192	86,254	114,115
-	4,857	65,340	256,902	243,743
-	-	-	296,384	265,457
311	2,471	87,338	134,240	132,809
-	31	10,721	13,889	14,956
-	757	20,784	23,898	28,296
-	1,539	8,257	72,671	72,510
77	2,114	29,756	287,074	321,738
-	231	20,231	76,294	40,776
331	50	4,566	28,573	17,511
2,863	5,190	48,568	203,745	144,696
705	12,016	11,339	415,834	436,939
-	685	7,549	150,898	169,930
-	8,000	-	26,000	18,000
-	-	40,942	214,335	210,546
-	-	1,008	2,689	5,108
-	1,110	2,234	147,087	159,635
-	61	273	31,763	29,500
-	-	-	11,626	11,913
-	-	-	19,218	15,878
-	2,280	2,379	52,793	51,606
-	-	-	16,704	14,519
-	3,675	8,734	158,948	174,639
<u>13,086</u>	<u>1,647</u>	<u>49,558</u>	<u>241,032</u>	<u>183,296</u>
<u>17,373</u>	<u>47,064</u>	<u>500,769</u>	<u>2,968,851</u>	<u>2,878,116</u>
174,313	107,104	1,313,063	14,910,304	13,961,915
<u>512</u>	<u>112</u>	<u>37,017</u>	<u>225,664</u>	<u>265,586</u>
<u>174,825</u>	<u>107,216</u>	<u>1,350,080</u>	<u>15,135,968</u>	<u>14,227,501</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	1,500,316	806,485
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	225,664	265,586
Net realized and unrealized (gains) on investments	(930,961)	(501,353)
(Increase) decrease in accounts receivable	(1,023,906)	19,276
(Increase) decrease in prepaid expenses and other assets	131,326	(103,830)
Increase (decrease) in accounts payable	26,050	(36,220)
Increase (decrease) in payroll liabilities	467,000	6,192
Increase (decrease) in accrued expenses	<u>1,976</u>	<u>(731)</u>
Total adjustments	<u>(1,102,851)</u>	<u>(351,080)</u>
Net cash provided by operating activities	397,465	455,405
<u>Cash flows from investing activities:</u>		
Net purchase of investments	(87,966)	(607,403)
Purchase of fixed assets	<u>(171,332)</u>	<u>(44,904)</u>
Net cash (used) by investing activities	<u>(259,298)</u>	<u>(652,307)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	138,167	(196,902)
<u>Cash and cash equivalents at beginning of year</u>	<u>834,891</u>	<u>1,031,793</u>
<u>Cash and cash equivalents at end of year</u>	<u>973,058</u>	<u>834,891</u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

THE ARC OF CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 2007

1. Nature of Business.

The Arc of Caddo-Bossier is a not-for-profit public service Association exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). Revenues are derived primarily from the following:

- a) State of Louisiana, generally under third-party reimbursement plans
- b) Title XIX
- c) United Way
- d) Contributions from the general public
- e) Contract work by the handicapped clients for various types of companies

The Arc provides education, shelter, training, and work opportunities for the mentally handicapped of all ages.

2. Summary of Significant Accounting Policies.

a) Financial Statement Presentation:

The Arc has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc and/or by the passage of time. Temporarily restricted net assets are detailed in Note 3.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by The Arc. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. Permanently restricted net assets are detailed in Note 3.

b) Contributions:

The Arc also has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases

2. Summary of Significant Accounting Policies. (Continued)

in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Arc uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

d) Investments:

The Arc accounts for investments at fair value in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

e) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Land, Building and Equipment:

Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of \$3,000 are capitalized.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Consolidation:

The financial statements include the accounts of The Arc; The Arc of Caddo-Bossier Foundation, a not-for-profit corporation formed in 1997; and Greenwood Equestrian Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicapped children. GREAT merged with The Arc in 2001, with approximate net assets of \$25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

i) Functional Expenses:

Certain functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fundraising expenses, amounting to approximately \$15,000, are included in Management and General expenses.

2. Summary of Significant Accounting Policies. (Continued)

j) Cash Equivalents:

For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

k) Compensated Absences:

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

l) Trade Receivables from Contract Work:

Trade receivables that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectibility, and has determined that no allowance is necessary at June 30, 2007.

m) Prior Year Financial Information:

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended June 30, 2006, from which the summarized information was derived.

3. Net Assets.

Net assets include restricted and board-designated amounts and activity, summarized as follows:

	<u>2006</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>2007</u>
<u>Permanently Restricted:</u>					
The Arc of Caddo-Bossier Foundation	50,000	-	-	-	50,000

3. Net Assets. (Continued)

	<u>2006</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>2007</u>
<u>Temporarily Restricted:</u>					
The Arc of Caddo-Bossier Foundation	79,635	58,953	11,493	-	127,095
Children's Services	665	1,667	1,327	-	1,005
GREAT	52,280	96,903	860	(60,600)	87,723
General Motors	4,689	-	4,689	-	-
HSBC RIF	-	2,000	1,515	-	485
CFSB-Every Kid	-	5,800	936	-	4,864
<u>Designated:</u>					
The Arc of Caddo-Bossier Foundation	685,532	148,180	4,497	-	829,215
Adult Services	70,587	35,095	46,576	(45,178)	13,928
GREAT	100,000	-	-	-	100,000
Capital improvements	314,123	-	-	134,950	449,073
Growth	283,816	-	-	133,032	416,848
Worker's compensation	838,297	-	-	68,470	906,767
	<u>2,479,624</u>	<u>348,598</u>	<u>71,893</u>	<u>230,674</u>	<u>2,987,003</u>

4. Accounts Receivable.

Accounts receivable due The Arc at year end are as follows:

	<u>2007</u>	<u>2006</u>
Contract work	591,412	595,366
State of Louisiana	154,496	114,867
Title XIX	1,755,539	795,029
Other	<u>269,768</u>	<u>242,047</u>
Total	<u>2,771,215</u>	<u>1,747,309</u>

Receivables from contract work arise from credit granted to various businesses located in the Shreveport and east Texas area. Receivables from the State of Louisiana arise from funds due The Arc under various grants, and which are unpaid as of the end of the fiscal year.

5. Land, Building and Equipment.

Land, building and equipment is composed of the following:

<u>June 30, 2007</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	2,321,203	1,677,782	643,421
Furniture and equipment	2,332,807	2,023,730	309,077
Vehicles	171,103	137,450	33,653
Improvements	<u>650,069</u>	<u>469,189</u>	<u>180,880</u>
Totals	<u>5,908,394</u>	<u>4,308,151</u>	<u>1,600,243</u>

5. Land, Building and Equipment. (Continued)

<u>June 30, 2006</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	2,321,203	1,626,138	695,065
Furniture and equipment	2,258,043	1,941,633	316,410
Vehicles	152,103	123,103	29,000
Improvements	<u>612,980</u>	<u>432,092</u>	<u>180,888</u>
Totals	<u>5,777,541</u>	<u>4,122,966</u>	<u>1,654,575</u>

6. Commitments.

The Arc leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2008	248,255
2009	157,269
2010	88,777
Thereafter	<u>12,583</u>
	<u>506,884</u>

7. Trust Funds.

The Arc is a beneficiary in various testamentary trusts. The terms of these trusts stipulate that the trust assets be invested in perpetuity, and that the annual income only be distributed to the beneficiaries. The Arc received approximately \$15,000 in distributions from these trusts during the year ended June 30, 2007.

8. Other Employee Expenses.

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% employer match for employee contributions up to 2% of employee salary. The Arc's contributions to the plan for the year ended June 30, 2007 were \$58,197, and \$47,781 for the year ended June 30, 2006.

9. Investments.

Investments at June 30, 2007 and 2006, are summarized as follows:

<u>June 30, 2007</u>	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Bond funds	1,511,169	1,488,172	(22,997)
Equity funds	3,812,804	5,195,653	1,382,849
Money funds	<u>58,722</u>	<u>58,722</u>	-
	<u>5,382,695</u>	<u>6,742,547</u>	<u>1,359,852</u>

9. Investments. (Continued)

<u>June 30, 2006</u>	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Bond funds	1,336,752	1,320,125	(16,627)
Equity funds	3,345,147	4,315,245	970,098
Money funds	<u>88,250</u>	<u>88,250</u>	<u>-</u>
	<u>4,770,149</u>	<u>5,723,620</u>	<u>953,471</u>

Investment income for 2007 and 2006 consists of the following:

	<u>2007</u>	<u>2006</u>
Interest and dividends	151,965	112,458
Net realized gains	524,580	212,394
Net unrealized gains	<u>406,381</u>	<u>288,959</u>
	<u>1,082,926</u>	<u>613,811</u>

10. Line of Credit and Borrowings.

The Arc has a line of credit with a local bank, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$5,781,000 at June 30, 2007. Interest is variable, based 2.00% plus LIBOR, as determined each consecutive month this loan is outstanding. There were no borrowings or outstanding balance on this obligation at June 30, 2007.

11. Conditional Promises.

Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 2007. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$283,000 at June 30, 2007.

12. Related Party Transactions.

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.h), the Arc controls, but has no financial or economic interest in, Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Net Assets
at June 30, 2007

Current assets	75,304
Fixed assets, net	450,278
Other assets	<u>17,082</u>
Total assets	<u>542,664</u>

12. Related Party Transactions. (Continued)

Current liabilities	82,704
Long-term debt, less current portion	<u>753,571</u>
Total liabilities	836,275
Net assets (deficit)	<u>(293,611)</u>
Total liabilities and net assets	<u>542,664</u>

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Activities
For the Year Ended June 30, 2007

Income	208,745
Expenses	<u>222,542</u>
Change in net assets	(13,797)
Net assets (deficit), beginning	<u>(279,814)</u>
Net assets (deficit), ending	<u>(293,611)</u>

Transactions between all entities related to the Arc for the year ended June 30, 2007 are summarized below:

	<u>The Arc of Caddo-Bossier</u>	<u>The Arc of Caddo-Bossier Foundation</u>	<u>GREAT</u>	<u>Louisiana Disabled Persons Housing Corporation</u>
Due from (to)	427,718	-	(200,976)	(226,742)
Net advances (from) to	(138,038)	-	77,949	60,089

SUPPLEMENTARY INFORMATION

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December 2, 2007

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements of The Arc of Caddo-Bossier as of and for the year ended June 30, 2007, and have issued our report thereon dated December 2, 2007. These consolidated financial statements are the responsibility of the management of The Arc of Caddo-Bossier. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of The Arc of Caddo-Bossier taken as a whole. The supplementary information on Page 14 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

Heard, McElroy + Vestal, LLP

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THE ARC OF CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	56,532	207,891	118,808
Title XIX	821,688	-	9,670,502
United Way	-	103,678	-
Contributions	1,000	61,014	10,940
Service fees	145,462	354,071	4,950
Other public support	-	<u>30,746</u>	-
Total public support	<u>1,024,682</u>	<u>757,400</u>	<u>9,805,200</u>
<u>Revenue:</u>			
Sales revenue	3,636,653	2,095	-
Membership dues	-	-	-
Investment income	-	-	-
Other income	<u>3,500</u>	<u>5,518</u>	<u>13,496</u>
Total revenue	<u>3,640,153</u>	<u>7,613</u>	<u>13,496</u>
Total public support and revenue	4,664,835	765,013	9,818,696
Total salaries and payroll related expenses	3,759,255	791,809	6,361,115
Total other expenses before depreciation	<u>982,321</u>	<u>126,867</u>	<u>1,294,457</u>
Total expenses before depreciation	4,741,576	918,676	7,655,572
Depreciation expense	<u>124,917</u>	<u>20,274</u>	<u>42,832</u>
Total expenses	<u>4,866,493</u>	<u>938,950</u>	<u>7,698,404</u>
Change in net assets	<u>(201,658)</u>	<u>(173,937)</u>	<u>2,120,292</u>

<u>Advocacy Services</u>	<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	-	383,231
-	-	-	10,492,190
-	-	-	103,678
5,000	104,683	124,521	307,158
-	25,374	-	529,857
<u>126</u>	<u>-</u>	<u>-</u>	<u>30,872</u>
5,126	130,057	124,521	11,846,986
57	-	-	3,638,805
-	-	11,200	11,200
-	7,103	1,075,823	1,082,926
<u>800</u>	<u>24,481</u>	<u>8,572</u>	<u>56,367</u>
<u>857</u>	<u>31,584</u>	<u>1,095,595</u>	<u>4,789,298</u>
5,983	161,641	1,220,116	16,636,284
156,940	60,040	812,294	11,941,453
<u>17,373</u>	<u>47,064</u>	<u>500,769</u>	<u>2,968,851</u>
174,313	107,104	1,313,063	14,910,304
<u>512</u>	<u>112</u>	<u>37,017</u>	<u>225,664</u>
<u>174,825</u>	<u>107,216</u>	<u>1,350,080</u>	<u>15,135,968</u>
<u>(168,842)</u>	<u>54,425</u>	<u>(129,964)</u>	<u>1,500,316</u>

OTHER REPORTS

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December 2, 2007

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

We have audited the consolidated financial statements of The Arc of Caddo-Bossier (the Arc), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Arc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Arc's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Arc's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the consolidated financial statements that is more than inconsequential will not be prevented or detected by the Arc's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the Arc's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, the State of Louisiana, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Heard McElroy & Vestal, LLP

THE ARC OF CADDO-BOSSIER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of The Arc of Caddo-Bossier.
2. No material weaknesses relating to the audit of the financial statements are reported; no control deficiencies are reported.
3. No instances of noncompliance material to the financial statements of The Arc of Caddo-Bossier were disclosed during the audit.
4. The Arc of Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC OF CADDO-BOSSIER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

No matters were reported in the prior year.

THE ARC OF CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

No matters were reported.